

CONSUMER ISSUES



A Guide for
Senior Citizens
in Arkansas

Arkansas
Attorney General

Mike Beebe



Dear Arkansas Consumer:

The citizens of Arkansas can rest assured that the Consumer Protection Division of my office is the foremost consumer advocate in the state. I am dedicated to the principle that the people of Arkansas deserve prompt, professional, and courteous service when they ask for our assistance. I also believe that an informed consumer is a better-protected consumer, and we work hard to educate the public about deceptive practices and fraudulent schemes. The Consumer Protection Division is here for you whenever you have questions or need our help. Let's work together for a better state.

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Table of Contents

IDENTITY THEFT	1
INVESTMENT SCHEMES	3
TELEMARKETING & PHONE SCAMS	4
SWEEPSTAKES	6
TRAVEL SCAMS.....	7
CHARITY FRAUD	8
WORK-AT-HOME SCHEMES	9
HOME-EQUITY SCAMS	10
CONSUMER RESOURCES	12

Identity Theft

Identity theft, or the stealing of another person's identity, has become a frequent and frightening problem for consumers. It can affect your bank accounts, mobile phone service, and most often, your credit accounts. Identity theft starts through the theft of personal documents like credit cards, driver's licenses, ATM cards, Social Security numbers, telephone-calling cards, and other key pieces of an individual's identity.

Unlike some states, Arkansas has taken a strong stance in classifying financial identity theft as a class D felony, as well as a violation of the Deceptive Trade Practices Act. If you are a victim of identity theft, you should report it to local law-enforcement officials immediately, as well as to the Attorney General's Office. Victims should also notify credit-reporting agencies of the fraud. A listing of credit bureaus is available below, as well as through the Arkansas Attorney General's Office.

Tips for Avoiding Identity Theft

- Safeguard your credit cards as you would cash.
- Reduce the number of cards you carry; just one or two should be sufficient for everyday use.
- Minimize the amount of personal information a criminal can steal. Don't carry your Social Security card, birth certificate, or passport with you on a routine basis.
- Keep a list of all your credit cards, including account numbers, expiration dates, and issuers' phone numbers, so that you can notify creditors in case of theft or loss. Also, sign any new cards as soon as you receive them.
- If your credit-card bill is late, call the card issuer's customer-service number immediately to ensure that your bill has not been diverted to another address.
- Review your statements carefully each month to make sure that all charges are accurate.
- Report billing errors and lost or stolen cards to your credit-card issuer immediately.
- Never give anyone a card number or other personal information over the telephone, unless you initiated the call and you are familiar with the entity requesting the information.
- Shred, and then throw away, pre-approved credit-card offers, credit-card receipts, copies of airline tickets, travel itineraries, and anything else that displays your credit-card information.
- Check your credit report for accuracy at least once a year.

CREDIT BUREAUS

Equifax

P.O. Box 105069 (for fraud info)
P.O. Box 105873 (all other info)
Atlanta, GA 30348
1-(800) 685-1111

Experian

P.O. Box 2002
Allen, TX 75013
1-(888) 397-3742

TransUnion

P.O. Box 100
Chester, PA 19022
1-(800) 916-8800

Sample Letters for Identity-Theft Victims

If you believe you may be a victim of identity theft, one of the first things you should do is contact the three major credit bureaus: Equifax, Experian, and TransUnion. Send a copy of the police report on the incident along with your letter. The Attorney General's Office has provided a sample letter below:

Sample Dispute Letter to Credit Bureau

Date

Your Name

Your Address

Your City, State Zip Code

Complaint Department

Name of Credit Bureau

Address

City, State Zip Code

Dear Sir or Madam:

I am writing to dispute the following information in my file. The items I dispute also are circled on the attached copy of the report I received. [Identify item(s) disputed by name of source, such as creditors or tax court, and identify type of item, such as credit account, judgment, etc.]

I am a victim of identity theft and did not make the charge(s). I am requesting that the item be blocked to correct my credit report.

Enclosed are copies of [use this sentence if applicable and describe any enclosed documentation] supporting my position. Please investigate this (these) matter(s) and block the disputed item(s) as soon as possible.

Sincerely,

Your Name

Enclosure: [List what you are enclosing, i.e. police report]

Sample Dispute Letter to Creditor

Date

Your Name

Your Address

Your City, State Zip Code

Your Account Number

Name of Creditor

Billing Inquiries

Address

City, State Zip Code

Dear Sir or Madam:

I am writing to dispute a fraudulent (charge or debit) attributed to my account in the amount of \$_____. I am a victim of identity theft, and I did not make this (charge or debit). I am requesting that the (charge be removed or the debit reinstated), that any finance and other charges related to the fraudulent amount be credited as well, and that I receive an accurate statement.

Enclosed are copies of [use this sentence to describe any enclosed information, such as police report] supporting my position. Please investigate this matter and correct the fraudulent (charge or debit) as soon as possible.

Sincerely,

Your Name

Enclosures: [List what you are enclosing]

Investment Schemes

Every year, American consumers lose millions in fraudulent investment schemes. Promoters create the illusion of authenticity in a number of ways, either by incorporating, by renting office space, or by issuing stock certificates. But while they claim to offer exciting, “sure-fire” investment opportunities, they’re actually delivering broken promises. Many consumers don’t realize this until their money is gone.

Ask Before You Invest

Before investing your hard-earned money, ask tough questions, both of yourself and those who are soliciting your investment. If the answer to any of the following questions is “no” – or if the answers are vague or complicated – more than likely the investment is fraudulent.

Is the company I’m investing with registered to sell securities?

Be cautious if the company selling you stocks, assets, or partnership units has not registered its securities. Companies that register securities file a prospectus and annual report with securities regulators. If a promoter tells you that your investment is “structured” to exempt the securities from registration, they’re probably avoiding contact with regulators.

Can I take some time to think about it?

Many scam artists create the impression that only a few shares of stock or partnership units are left. They try to convince you that you’ll miss out on a great opportunity if you don’t buy immediately.

Does the investment have a track record?

Claiming that their “opportunity” is similar to those of “hot” entrepreneurial successes, scam artists often use news stories about the success of legitimate companies as bait. Unfortunately, the success of other companies is irrelevant to your investment.

Where is my money going?

Legitimate companies account for their investors’ money at all times. Ask for written proof of how much of your money is going to the actual purchase or development of the opportunity and how much is going to commissions, promoters’ profits, and marketing costs. The majority of your investment money may be going to pay fees instead of being invested.

Do I have a trustworthy person who can advise me?

Get an independent appraisal of the specific asset, business, or venture you’re considering, and discuss all investment ideas or plans with an accountant or an advisor who you know and trust.

Telemarketing & Phone Scams

Telemarketing fraud is a problem that affects many Arkansans, and many times, these unscrupulous telemarketers and scam artists particularly target senior citizens, believing that they may be more trusting. There are ways to avoid becoming a victim of these scams. The Attorney General's Office is working constantly to make sure that con artists cannot continue to dupe Arkansans.



The Arkansas "Do Not Call" List

One of the best ways to avoid calls is to join the Arkansas "Do Not Call" list or the federal "Do Not Call" registry. When you sign up for either list, your telephone number will be included on both. Joining these lists will prohibit most telemarketers from calling your home. If you continue receiving calls after you've joined the list, you can file a complaint with the Attorney General's Office. To join the Arkansas list, call us toll-free at **1-877-866-8225**, or visit our Web site at **www.donotcall.org** and sign up there. To join the federal registry, call toll-free at **1-888-382-1222**, or visit their Web site at **www.donotcall.gov**.

Caller ID Blocking

Caller ID systems are used by thousands of people to screen their calls, including those from telemarketers. However, some telemarketers bypass this method of screening, hiding their identities from the Caller ID system. This practice is illegal in Arkansas. If you receive a telemarketing call from a company whose identity is blocked on your Caller ID system, report it to the Attorney General's Office.

Federal Telemarketing Rules

Federal law prohibits telemarketers from calling between 9 p.m. and 8 a.m. and requires them to maintain a company “Do Not Call” list. Even if you have not joined either the Arkansas or federal lists, it is your right to request that your number be placed on the telemarketing company’s list. Be sure to keep a record of each company whose list you have asked to join. If the same company calls you again within 12 months of your initial request, report the company to this office.

And Remember...

Every year, phone scams cost consumers billions of dollars. Be careful when accepting offers, sending money, or giving out personal information over the phone. And if you ever suspect a scam, call the Attorney General’s Office immediately.



Sweepstakes

Every year, reputable marketers and nonprofit organizations use sweepstakes to promote their products and services. And a very few lucky winners receive everything from money to merchandise to fantastic trips. Unfortunately, scam artists have capitalized on the popularity of these legitimate sweepstakes, and consumers throughout the United States are paying the price, literally.

Arkansas Sweepstakes Law

The Arkansas Prize Promotion Act protects consumers from fraudulent prize promoters who use direct mail or telemarketing. It requires them to be forthcoming about the odds of winning, the cost of playing, and what you have to do to redeem your prizes. Many unscrupulous individuals will try to avoid disclosing these details in an attempt to persuade you to sign up. If they can't disclose this information to you, report them to the Attorney General's Office.



Foreign Lotteries

Many scam operators use telephone calls and direct mail to persuade consumers to enter lotteries in foreign countries. The promotion of these lotteries is a scam. Con artists may persuade a consumer to send them money to buy a ticket, and then never buy them, or simply keep the winnings for themselves. It's best to keep in mind that participating in foreign lotteries is against the law.

Skill Contests

Skill contests consist of puzzles, games, or other contests in which prizes are awarded based on skill, knowledge, or talent, but not on chance. Contestants might be required to write a jingle, solve a puzzle, or answer questions correctly to win. Unlike sweepstakes, skill contests may legally require contestants to buy something or make a payment or donation to enter. Many consumers are lured into playing by deceptively easy puzzles or questions. In many cases, once payment has been sent, and the player is "hooked," the puzzles or questions get harder and fees get higher.

Travel Scams

If you've ever been tempted to sign up to win a "free" vacation, you might want to think again. Each year, more and more consumers fall victim to travel scams that are rarely "free." While some travel opportunities, sold over the phone or offered through the mail, are legitimate, many are really scams that defraud consumers out of millions each month.

An Offer You **SHOULD** Refuse

When you get the phone call, or place the call in response to a postcard, letter, fax, or Internet ad, you also get a sales pitch for a supposedly luxurious trip. The salesperson may ask for your credit-card number to bill your account for the travel package. Once you pay, you receive the "package," which usually includes instructions for making trip reservation requests. Your request often must be accompanied by yet another fee. And once you've paid that...yes, you guessed it, more fees.



Impossible Deals That Are Impossible to Deliver

Fraudulent telemarketers who sell travel packages use a variety of methods to get your money, but most involve making promises of deals that can't possibly be delivered.

- **High-Pressure/Time-Pressure Tactics.** Scam operators often say they need your commitment to buy immediately or that the offer won't be available much longer.
- **"Affordable" Offers.** Unlike telemarketers, who persuade people to spend thousands of dollars on investment schemes, fraudulent travel telemarketers usually pitch club membership or vacation offers in a lower price range.
- **Contradictory Follow-up Material.** Some companies agree to send written confirmation of your agreement. However, it usually looks nothing like the offer you accepted over the phone.

In most cases, the "free" or "bargain-priced" trip you've "won" ends up being full of hidden charges or conditions. When looking for a travel package, it's best to stay away from contests or giveaways, and stick with a credible travel agent or service.

Charity Fraud

One of the most contemptible forms of fraud is charity fraud. Scam artists pose as charitable fundraisers in order to get your money. Even legitimate fundraisers should be asked certain questions to ensure that you are not falling victim to these swindlers.

Paid Fundraisers

Some legitimate charities pay professional fundraisers to handle large-scale mailings, telephone drives, and other solicitations rather than their own paid staff or volunteers. Professional fundraisers are in business to make money and can legally keep a portion of the money they collect. If you're solicited for a donation, ask if the caller is a paid fundraiser and what percentage of your donation the fundraiser will keep. If you're not comfortable with the amount, you may decide to consider other options for donating.



Get the Facts

There are several facts to keep in mind when considering donating to a charitable organization. If you follow these guidelines, you'll have a better chance of helping a worthy charity and avoiding a scam.

- Ask for written information, including the charity's name, address, and telephone number, as well as how your donation will be distributed.
- Watch out for similar-sounding names. Some phony charities use names that closely resemble those of legitimate organizations.
- Know the difference between "tax-exempt" and "tax-deductible." Tax-exempt means the organization doesn't have to pay taxes. Tax-deductible means you can deduct your contribution from your federal income-tax return. Even though an organization is tax-exempt, your contribution may not be tax-deductible.
- Beware of organizations that use meaningless terms to suggest they are tax-exempt charities. For example, the fact that an organization has a "tax I.D. number" doesn't mean it is a charity.
- Be wary of guaranteed sweepstakes winnings in exchange for a contribution. You should never have to donate anything to be eligible to win.
- Avoid cash gifts that can be lost or stolen. For security and tax-record purposes, it's best to pay by check.

If you want to be truly safe, simply decline all telemarketer pitches for charitable donations. There are always charities in your area that need donations. Contact one of them directly and ask how you can help.

Work-at-Home Schemes

Consumers who choose to work from home should be aware of work-at-home schemes that fail to deliver what they promise. The truth is that numerous work-at-home schemes require you to spend your own money to place newspaper ads and to make photocopies, as well as to buy envelopes, paper, stamps, and other supplies or equipment needed to do the job. Ultimately, consumers deceived by these ads lose thousands of their hard-earned dollars each year, in addition to wasting their time and energy only to be disappointed.

Be Aware of these Work-at-Home Schemes

Medical Billing. The ads tell you that many doctors who process claims electronically want to “outsource” or “contract-out” their billing services to save money. Promoters will promise that you can earn a substantial income working full-or part-time, providing services like billing, accounts receivable, electronic insurance-claim processing, and practice management to doctors and dentists.

The Reality: You will have to sell to make money. These promoters rarely provide experienced sales staff or contacts within the medical community. Few consumers who purchase a medical-billing business opportunity are able to find clients, start a business, or generate revenues - let alone recover their investment and earn a substantial income.

Envelope Stuffing. The advertisements tell you that, for a “small” fee, you will learn how to earn money by stuffing envelopes at home.

The Reality: After you pay your money, you discover that the promoter actually never had any employment to offer. Instead, for your fee, you're likely to get a letter telling you to place the same “envelope-stuffing” ad in newspapers or magazines, or to send the ad to friends and relatives. The only way you'll earn money is if people respond to your work-at-home ad.



Assembly or Craftwork. These advertisements try to convince you to invest hundreds of dollars in equipment or supplies.

The Reality: After you've purchased the supplies or equipment and performed the work, fraudulent operators refuse to pay you. In fact, many consumers have had companies refuse to pay for their work, claiming that it doesn't meet “quality standards.” Unfortunately, no work is ever “up-to-standard,” leaving workers with relatively expensive equipment and supplies - and no income.

Before Investing in Work-at Home Opportunities, Ask These Questions:

- What is the total cost of the work-at-home program, including supplies, equipment, and membership fees?
- What tasks will I be required to do to perform this job?
- Will I be paid a salary, or will my pay be based on commission?
- Who will pay me?
- When will I get my first paycheck?

The answers to these questions may help you determine whether a work-at-home program is appropriate for you, and whether it is even legitimate.

As always, when dealing with an unfamiliar company or business opportunity, it's best to inquire about that company with the Consumer Protection Division of your Attorney General's Office and the Better Business Bureau.

Home-Equity Scams

The equity you have in your home is likely your largest asset. It is also a target for unscrupulous mortgage brokers, mortgage lenders, and home-improvement contractors. Low-income and elderly homeowners are the most likely targets for these scams, but anyone may be vulnerable. If you respond to an offer for a home-equity loan, you may be putting your home at risk. Watch out for these typical home-equity scams.

“Home-Improvement” Loans

Perhaps your home could use some repair or improvement, but you do not have the cash on hand. You may be contacted by a home-improvement contractor offering both the improvements and easy financing terms. BEWARE. The financing offered by the home-improvement contractor could be a home-equity loan, often with steep interest rates and high fees. Once you have agreed to the loan and the contractor has been paid, the contractor may no longer be motivated to complete the job to your satisfaction.

Loan Flipping

An unscrupulous lender can strip equity from your home by charging unnecessarily high interest and fees as part of the home-equity loan. Some unscrupulous lenders are even greedier. A lender may return, offering to refinance your loan, suggesting that it is in your best interest to do so. This is merely an opportunity for the lender to charge more fees and strip more equity from your home. This is called "loan flipping."

Balloon Payments

Some lenders may entice you with the offer of low monthly payments on a home-equity loan. But what you may not know is that the low payments are temporary, and at the end of a short loan term, the principal (that is, the entire amount you borrowed) is due in one



lump sum called a "balloon payment." If you can't make the balloon payment or refinance, you face foreclosure and the loss of your home.

Credit Insurance Packing

Some unscrupulous lenders will add additional costs to your loan which you did not ask for and which you do not need or want. These additional costs can take many forms. One common form adds the cost of credit insurance to your loan. This insurance is expensive and, since it is financed in your loan, has the effect of stripping equity from your home. If you want the added security of credit insurance, shop around for the best rates.

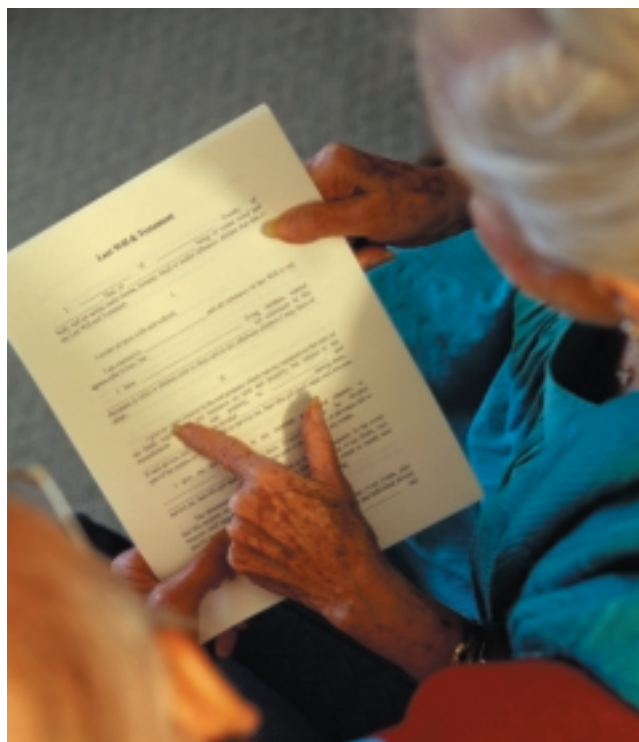
Signing Over Your Deed

If you are having difficulty paying your current mortgage, a new lender may offer to help you out of these difficulties by offering to refinance your loan once you, the homeowner, sign over to the lender the deed to the house. Such offers are often mere ploys to steal your home. Once the deed is transferred, the "lender"

becomes the new owner of the home and can treat you as a tenant and your mortgage payments as rent. If you fall behind on the payments, you could be evicted and lose all of the equity in your home.

Mortgage-Servicing Abuses

Once you get your mortgage, you may later receive a letter from the lender or mortgage servicing company informing you that your monthly payments have increased. Although there are legitimate reasons why monthly payments might increase (increased taxes or insurance costs), quite often the increases may merely be an attempt by the mortgage servicer to strip further equity from your home. The additional charges may not be justified.



Do's And Don'ts To Protect Your Home Equity

DON'T:

- Don't agree to a home-equity loan if you don't have enough income to make the monthly payments. (Watch out for loans with balloon payments.)
- Don't sign any document you haven't read or any document that has blank spaces to be filled in after you sign.
- Don't let anyone pressure you into signing any document. Read, understand, and act upon your right to cancel a home-improvement contract and a financing agreement as provided by state and federal law.
- Don't agree to a loan that includes credit insurance or extra products you don't want.
- Don't let the promise of extra cash or lower monthly payments get in the way of your good judgment about whether the cost of the loan is really worth it.
- Don't deed your property to anyone.

DO:

- Do ask specifically if credit insurance is required as a condition of the loan. If it isn't, and a charge is included in your loan and you don't want the insurance, ask that the charge be removed from the loan documents. If you want the added security of credit insurance, shop around for the best rates.
- Do keep careful records of what you've paid, including billing statements and cancelled checks. Challenge any charge you think is inaccurate.
- Do check contractors' references when it is time to have work done in your home. Get more than one estimate. Also, shop around for the best financing available. Do not merely accept the financing that is being offered by the contractor.
- Do consider loan counseling. Home-equity loans are complex legal transactions. Expert home-equity loan counseling is available in your community, free or at a low cost.

Consumer Resources

**Federal Trade Commission
Identity Theft Data Clearinghouse**
600 Pennsylvania Ave., NW
Washington, DC 20580
(877) ID-THEFT (438-4338)
www.consumer.gov/idtheft

**Consumer Protection Division
Office of the Attorney General**
323 Center Street, Suite 200
Little Rock, AR 72201
(501) 682-2341 or (800) 482-8982
www.ag.state.ar.us

**Arkansas "Do Not Call" Database
Office of the Attorney General**
323 Center Street, Suite 200
Little Rock, AR 72201
(877) 866-8225 Toll-Free
www.donotcall.org

Better Business Bureau of Arkansas
1415 S. University
Little Rock, AR 72204
(501) 664-7274
www.arkansas.bbb.org



For a free Consumer Information Catalog, write to:

Consumer Information Center
Pueblo, CO 81009
1-888-8-PUEBLO (1-800-878-3256)
www.pueblo.gsa.gov

To have your name removed from direct-mail marketing lists, write:

**Direct Marketing Association
Mail Preference Service**
P.O. Box 9014
Farmingdale, NY 11735-9014


Tear out and keep this card near your phone.

**If you feel you've been a victim of consumer fraud,
call the Attorney General's Office immediately.**

Office of Arkansas Attorney General

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